

Fiscal Estimate Narratives

DOR 4/2/2010

LRB Number	09-4261/1	Introduction Number	AB-0866	Estimate Type	Original
Description restoring the treatment of the exclusion of capital gains for individuals and certain other persons that existed before the enactment of 2009 Wisconsin Act 28.					

Assumptions Used in Arriving at Fiscal Estimate

Current Wisconsin law allows individuals, fiduciaries, members of LLCs and partnerships, and shareholders of tax-option corporations to exclude 30 percent of net long-term capital gains from income for income tax purposes. Long-term capital gains on the sale of farm assets are eligible for a 60 percent exclusion. In either case, long-term capital gains are gains realized from the sale of assets held for at least one year or assets acquired from a decedent.

This bill changes the current 30 percent long-term capital gains exclusion to a 60 percent exclusion. The current 60 percent long-term capital gains exclusion on the sale of farm assets is unaffected. The bill becomes effective for taxable years beginning on or after January 1, 2010.

The increased exclusion is projected to reduce revenue annually. Based on a simulation using the 2007 Individual Income Tax Model, the bill will reduce revenue by \$168 million in fiscal year 2011 and \$176 million in fiscal year 2012.

Long-Range Fiscal Implications

Capital gains realizations are more volatile than other income sources. Although the bill will reduce revenue annually, fiscal years 2011 and 2012 will not necessarily be representative of future revenue losses.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description restoring the treatment of the exclusion of capital gains for individuals and certain other persons that existed before the enactment of 2009 Wisconsin Act 28.			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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